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October 31, 2005

Chairman Ron Jones  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243

Re: Sprint Nextel Corporation's Response to Staff Data Request No. 2  
Docket No. 05-00240

Dear Chairman Jones:

On October 26, 2005, the Staff of the Tennessee Regulatory Authority ("Authority") served on Sprint Nextel Corporation Staff Data Request No. 2. In its request, the Staff set the date of November 4, 2005 as the date for Sprint Nextel to reply. Enclosed herewith are the original and thirteen (13) copies of the redacted version without the highly confidential information of Sprint Nextel's response to Staff Data Request No. 2. At this time, Sprint Nextel is unable to provide the highly confidential responses to the Staff. Sprint Nextel desires the ability to file the highly confidential version as soon as possible. To that end, Sprint Nextel must, in this letter, respectfully renew its Motion for Adoption of Protective Order that Sprint Nextel filed contemporaneously with its Application for Transfer of Control on August 24, 2005.

Sprint Nextel wishes at this time that it could fully respond to the Staff's Data Request No. 2, however, without a protective order in place, such highly confidential responses would be subject to public disclosure under the Tennessee Public Records Act. Therefore, as soon as the Authority issues the Protective Order filed by Sprint Nextel, Sprint Nextel will file the highly confidential responses to Staff Data Request No. 2.

An extra copy of this letter is enclosed. Please stamp it "Filed" and return to me in the enclosed self-addressed stamped envelope. Please do not hesitate to contact me if you have any questions concerning this request.

Sincerely yours,



Edward Phillips

HEP:sm  
Enclosures  
cc: Carlos Black

PUBLIC VERSION

Tennessee Regulatory Authority, Docket No. 05-00240  
Application of Sprint Nextel Corporation for Approval of the Transfer of Control of United Telephone-Southeast, Inc.; Sprint Long Distance, Inc.; and Sprint Payphone Services, Inc. from Sprint Nextel Corporation to LTD Holding Company  
TRA Data Request No. 2

**DATA REQUEST 1:**

Question: In the Petition of Communications Workers of America, AFL-CIO (CWA) For Leave to Intervene in the above-referenced petition, CWA has concerns that the proposed capital structure of LTD Holding Company would impair the remaining landline or local telephone companies, resulting in a financially weaker company after the spin-off leaving United Telephone-Southeast, Inc. (UTSE) and LTD's other local telephone companies under severe financial pressure due to the heavy debt load and other cash commitments. Provide the proposed debt-to-equity ratio for the local landline or telephone companies after the spin-off or reorganization of LTD Holding Company and any projections of such ratio in the next five (5) years (if available).

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**RESPONSE:**

The August 24, 2005 Application of Sprint Nextel Corporation ("Sprint Nextel") does not include the highly confidential versions of the affidavits of Mr. Kent W. Dickerson of Sprint Nextel and Mr. Kevin P. Collins of Houlihan, Lokey, Howard & Zukin Financial Advisors, Inc. ("Houlihan Lokey"). Nevertheless, these affidavits, once filed when a protective order is issued, will provide the TRA with detailed analyses that demonstrate the financial strength of LTD Holding Company as an independent stand alone entity.

The highly confidential version of the affidavit of Mr. Collins explains that Houlihan Lokey used a number of common financial approaches in determining that the market valuation of LTD Holding Company's assets are in the range of [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL]. At the time of separation LTD Holding Company's debt is expected to account for [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] of its total capital, depending on the Houlihan Lokey valuation range. Mr. Collins further explains in that affidavit that the midpoint of the market valuation range would place LTD Holding Company's debt to capital ratio at [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL]. Houlihan Lokey found the average debt to capital ratio for comparable companies to be 46.1 percent.

The debt to capital ratio for UTSE as of December 31, 2004 is approximately 37 percent. The separation will have no impact on UTSE's debt to capital ratio.

Projections of debt to capital ratios for LTD Holding Company over the next five years do not exist.

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TRA Data Request No. 2

**DATA REQUEST 2:**

Question: What guarantee could you provide that UTSE and LTD's other local telephone companies will be able to make adequate capital investment in network infrastructure? Provide any study or other information relevant to this request.

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**RESPONSE:**

The highly confidential affidavits of Mr. Kent W. Dickerson and Mr. Kevin P. Collins, once filed after the adoption of a protective order will provide the TRA with detailed analyses demonstrating the financial strength of LTD Holding Company as an independent stand alone entity.

Mr. Dickerson's highly confidential affidavit reconciles the 2004 financial performance of LTD Holding Company's assets with three identifiable financial adjustments caused by the separation. Mr. Dickerson demonstrates that had LTD Holding Company been a separate entity during 2004, it would have been a solid, financially capable entity. During 2004 LTD Holding Company would have produced an operating income of [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] on revenues of [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] and would have generated cash from operating activities of [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]. Most importantly, Mr. Dickerson's affidavit demonstrates that LTD Holding Company would have produced [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] cash flow.

Likewise, the highly confidential version of Mr. Collins' affidavit sets forth that Mr. Collins does not expect the proposed capital structure will limit LTD Holding Company's ability to reinvest in its business. In this affidavit, Mr. Collins further explains that LTD Holding Company will have excess cash flows should capital expenditure requirements be higher than anticipated or should favorable investment opportunities arise. Mr. Collins further explains how the management of LTD Holding Company has projected aggregate future capital expenditure requirements over each of the next several years. Mr. Collins finds that LTD Holding Company's capital expenditures are expected to be approximately [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] of revenues. Houlihan Lokey compared this capital expenditure figure to the 13 percent of revenues it found comparable companies are projected to make during 2005.